

SUSSEX COUNTY

Use of County Vehicles Policy

Effective Date: January 1, 2005

Purpose: Compliance with IRS Regulations

It is the County's policy that vehicles provided to employees **must not** be used for personal use, other than commuting or de minimis personal use (such as a stop for a personal errand on the way between a business delivery and the employee's home).

This policy addresses the taxation for use of County vehicles by employees in compliance with Code of Federal Regulations Title 26, Volume 2 section 1.61-21.

This regulation states the use of a County's vehicle is a taxable fringe benefit even if the employee is required to drive the vehicles to and from home. The amount of the fringe benefit will vary based on one of three valuation methods.

The Code addresses three methods that must be used to determine the fair market value of this fringe benefit. The first is the cents-per-mile rule. Secondly, is the commuting rule and third is the lease value rule.

Method 1: Cents-per-mile rule

The value of a vehicle provided to an employee for personal use (commuting to/from home, etc.) is determined by multiplying the standard mileage rate by the total miles driven for personal use. For 2005, the standard mileage rate is 37.5 cents a mile.

You can use the cents-per-mile rule if **either**:

- 1) The vehicle is reasonably expected to be used for business throughout the calendar year meeting at least one of the following conditions:
 - a. At least 50% of the vehicle total annual mileage is for business.
 - b. Vehicle used for commuting at least 3 employees to and from work.
 - c. The vehicle is regularly used in business on basis of all of the facts and circumstances.

or

- 2) The vehicle meets the mileage test.
 - a. Actually driven at least 10,000 miles per year or prorated based on start date of use.
 - b. Used by employee consistently for commuting.

Method 2: Commuting Rule

The value of a vehicle provided to an employee for personal use is determined by each way commute to and from work by \$1.50 i.e. 2 times \$1.50 or \$3.00 per day. The annual fringe benefit will be set at \$750.00 annually or \$31.25 per semi-monthly pay period. This amount must be included in the employee's wages or reimbursed by the employee.

All of the conditions must be met to use this method:

- 1) Require the employee to commute to and from work in the vehicle or use to carry three or more employee in an employer-sponsored commuting pool.
- 2) Establish a written policy under which you do not allow the employee to use the vehicle for personal use, other than commuting to and from work and home and de minimis personal use (such as a stop for a personal errand on the way between a business delivery and the employee's home).
- 3) The employee does not use the vehicle for personal purposes, other than commuting and de minimis personal use.
- 4) The employee is not a control employee. Control employees are:
 - a. Employees whose compensation equal or exceeds Federal Government Executive Level V. or
 - b. An elected official.

Method 3: Lease Value Rule

The value of a vehicle provided to an employee by using its annual lease value. This amount can be allocated between business use and personal or the entire lease value can be included in the employee's wages.

If the Lease Value Rule is used the following consistency requirements apply:

- 1) Begin use of the rule on the first day employee receive use of the vehicle, except for:
 - a. If you use the commuting rule, you can change to the lease value on the first day on which you do not use the commuting rule.
 - b. If you use the cents-per-mile rule on the first day the vehicle was used, you can switch to the lease method on the first day the employee no longer qualifies for the cents-per-mile rule.
- 2) Must use this rule for all later years in which the vehicle is used by the employee, except you can elect to use the commuting rule if the use of the vehicle qualifies.

- 3) Continue to use this rule if you provide a replacement vehicle to the employee and your primary reason for the replacement is to reduce federal taxes.

The annual lease value will be determined by:

- 1) Determine the fair market value (FMV) of the vehicle the first date it is available to the employee, then
- 2) Use the Annual Lease Value Table from IRS Publication 15-B.

Note:

- 1) Under this method the value of fuel **is not** included. The value of fuel provided by the County will be 5.5 cents per mile for all miles driven by the employee.
- 2) The County has elected not to use the Fleet-average valuation rule which is optional for an employer with a fleet of 20 or more vehicles.

The County policy will use the method that has the least impact on the employee and the County (FICA tax liability) when multiple methods are applicable.

Exempt from the taxation of this IRS rule are:

- 1) Clearly marked police and fire vehicles.
- 2) Unmarked vehicles used by law enforcement officers if the use is officially authorized.

The following rules must be followed in the operation of County owned vehicles:

- 1) All drivers shall be licensed by the State of Virginia. If your license has been suspended or revoked by the State of Virginia, you must notify/report this to your supervisor immediately. Failure to do so will result in personnel action being taken including withdrawal of the use of the vehicle and/or dismissal of the employee.
- 2) All drivers shall obey traffic laws of Sussex County, the State of Virginia, other Virginia localities and other jurisdictions in these United States. Failure to do so while driving a County owned vehicle will result in personnel action being taken including withdrawal of the use of the vehicle and/or dismissal of the employee.
- 3) All drivers shall obey the laws regarding handicap parking. County vehicles without temporary or permanent handicap decals, handicap license plates or other authorized permission for parking in handicap spaces **cannot** park in handicap

spaces. Failure to obey the law and this directive by an employee while driving a county owned vehicle will result in personnel action being taken including withdrawal of the use of vehicle and/or dismissal of the employee.

- 4) All drivers shall report immediately all accidents involving County owned vehicles to your immediate supervisor or the County Administrator's Office. Failure to do so will result in personnel action being taken including withdrawal of the use of the vehicle and/or dismissal of the employee.

Employees will be required to furnish information upon request about the number of miles on the vehicle.

Employees will be responsible for all moving violations or other violations that are a result of inappropriate use of operating this vehicle.

As mentioned previously, employees who fail to follow the rules and regulations as outlined by the County may result in revocation of the assignment of the vehicle, disciplinary actions or termination of employment.

All employees who are assigned a vehicle must sign the County's vehicle assignment form.

Completed forms should be sent to the Director of Finance.